



TITLE:

<Book Review>Robert J. Muscat.
Development Strategy in Thailand: A Study
of Economic Growth. Praeger Special
Studies in International Economics and
Development. New York: Frederick A.
Praeger, Inc., 1966

AUTHOR(S):

Tsujii, Hiroshi

CITATION:

Tsujii, Hiroshi. <Book Review>Robert J. Muscat. Development Strategy in Thailand: A Study of Economic Growth. Praeger Special Studies in International Economics and Development. New York: Frederick A. Praeger, Inc., 1966. 東南アジア研究 1970, 8(1): 130-136

ISSUE DATE:

1970-06

URL:

<http://hdl.handle.net/2433/55616>

RIGHT:

書 評

Robert J. Muscat. *Development Strategy in Thailand: A Study of Economic Growth*. Praeger Special Studies in International Economics and Development, New York: Frederick A. Praeger, Inc., 1966, 310 pp.

by

Hiroshi TSUJII*

I Introduction

This is one of several books¹⁾ which deal with the economic development problems of Thailand. The special characteristic of this work is that it contains both positive and prescriptive economic analyses of the problems, while others are mainly concerned with the former analysis.

Muscat sees that the Thai and Japanese economies began with many similarities but that they are now at very different levels. He asks himself, "Why is Thailand still underdeveloped?" (p. 26) He assumes that imperfect competition in various markets in Thailand is the reason for this underdevelopment condition, and he describes and analyzes the degree of the imperfectness for each market in the first four chapters of his book. In the fifth and last chapter, the author proposes a set of development strategies in Thailand which are based on the descriptions and analyses in the previous chapters.

Muscat's work is interesting and, at the same time, controversial. It ranges widely from the history of Thai economic development after the 1850's, through agricultural and industrial growths, to social and economic structures, and it proposes some very general hypotheses. The way of presentation is descriptive. The study is based on the long experience of the author when he was appointed with the United States Operations

* 辻井 博, The Center for Southeast Asian Studies, Kyoto University

1) For example, United Nations, ECAFE, *Agricultural Development of Thailand*, Bangkok: ECAFE, 1955; IBRD, *A Public Development Program for Thailand*, Baltimore: Johns Hopkins Press, 1959; H. Kitamura (ed.), *Tai no Keizai Kaihatsu (Economic Development of Thailand)*, Tokyo: Institute of Developing Economies, 1963; Chinnawoot Soonthornsima, *A Macroeconomic Model for Economic Development of Thailand*, a Ph. D. thesis submitted to University of Michigan in 1963, Bangkok: Thammasat University Press, 1964.

Mission (USOM) in Thailand from 1957 to 1962.²⁾

This book is a good summary of various information concerning the problems in Thai economic development. The author makes use of many research results in order to supplement "...the extremely poor quality of much basic information." (p. 8) Data on Thai resources, on specific public investment projects, and on national income accounts are not of ideal quality. In addition, this book contains a wealth of various summarized information about the details of Thai economic development, and it records the available statistics and the author's ingenious estimates on some of the key economic variables which may be useful to the researchers who become interested in the problem of Thai economic development.

II The Method Used

For his positive approach to the underdevelopment problems in Thailand the author tries to test three hypotheses based on two basic assumptions. The assumptions are given as follows:

"We explicitly assume a) that an economy in which resource allocation is largely governed by decentralized decision-making is at once adequate for achieving rapid growth in Thailand, more adequate than what could be achieved under a centralized economic system, and consistent with Thai culture and social objectives, and b) that the extent of diversion from growth-inducing decisions, due to certain characteristics of the markets in Thailand, is of major significance in determining and affecting adversely the values of the standard aggregates measuring economic performance, *i.e.*, investment ratio, capital/output ratio, factor productivity, utilization of productive capacity, etc." (pp. 4-5)

The three core hypotheses³⁾ can be expressed briefly as follows:

(1) All participants in the various markets in Thailand behave rationally from the point of view of economic theory.

(2) The two market conditions of "perfect knowledge" and of "no restriction of transfer of goods" are only partially satisfied, and this is a serious deterrent to Thailand's economic development.

(3) The condition of atomistic competition is not satisfied, and this is the greatest problem of all for Thai economic growth.

In addition to his hypothesis testing mentioned above, the author uses many pages for historical and socio-economic descriptions and analyses of Thai economic development.

It seems to the reviewer that Muscat holds the similar understanding of the Thai

2) See a book review by Takeshi Motooka in *The Southeast Asian Studies*, Vol. 4, No. 3, Dec. 1966, p. 230.

3) The details of these hypotheses are presented in pp. 5-7 in the reviewed article.

culture and social structure to that presented in the famous article of J. F. Embree.⁴⁾ This theory holds that the Thais are extremely individualistic and sensitive to secular benefits, and that they form a loosely woven social structure.⁵⁾ Muscat's two assumptions echo this theory in economic terms. The reviewer considers, however, that the above assumptions are rather transcendental. In fact they themselves should be hypotheses to be proved or tested.

In his normative approach the author takes the following steps. Firstly the author proposes a set of development strategies in Thailand, based on the results of the positive analyses and making use of the two basic assumptions mentioned above. He thinks these strategies will maximize the rate of economic growth in Thailand. Secondly, in the last section of the fifth chapter, he examines the relevance and implementability of his own strategies for current Thai social and economic problems. The reviewer thinks that the method used in the normative part of Muscat's work is appropriate except the usage of the assumptions mentioned above.

III Growth Deterrents and Testing the Core Hypotheses

The first four of Muscat's five chapters are devoted to positive analyses. In the first two chapters, historical and socio-economic descriptions and analyses of Thai economic development are presented. Recent agricultural and industrial developments are discussed in the third and fourth chapters respectively. Throughout these descriptions and analyses the author identifies growth deterrents, which he uses to test the core hypotheses.

In the historical analysis he categorizes the first century of Thailand's economic development, *i.e.* the 100 years before World War II, in terms of Bert F. Hoselitz's scheme. Development in this period was "autonomous, satellitic and expansionist." (p. 19)⁶⁾ Then the author describes the Thai peoples' behavior with sociological pattern variables which are used by Hoselitz⁷⁾ as follows, after the manner of Talcott Parsons:

"... it appears reasonable to classify Thailand, over the course of the last century, as having been characterized by the achievement rather than the ascriptive norm as far as the economic behavior of the mass of the populations is concerned, by universalism rather than particularism, and by a gradual but long drawn out switch from diffuseness to specificity." (p. 23)

"Thailand falls into the self-orientation pattern generally expected of underdeveloped countries in so far as many leading members of the elite in gov-

4) J. F. Embree, "Thailand—A Loosely Structured Social System," *American Anthropologist*, Vol. 52, No. 2, 1950, pp. 181-193.

5) The author's understanding is expressed in various parts of his book, for example, see p. 3, l. 14-15, l. 22; p. 4, l. 22-24; p. 14, l. 11-18; pp. 24-25; pp. 243-244.

6) For the details of the scheme, see B. F. Hoselitz, "Patterns of Economic Growth," *Canadian Journal of Economic and Political Sciences*, Vol. 21, 1955.

7) For definitions of these terms, see pp. 21-25 of the reviewed article or Hoselitz, *op. cit.*

ernment and business are concerned....The economic pattern of the mass of this society...would not apply to the Thai elite." (p. 25)

As a result of these analyses the author thinks that as far as the economic environment and the socio-economic characteristics of the Thai mass are concerned, there was a strong potentiality for the rapid economic growth in Thailand for one hundred years before Second World War. He offers a list of reasons why this potentiality was not activated. These reasons include: geographically biased economic growth; leakage of trade surplus abroad by Chinese, English, Australian and Thai nationals; the inertia and extreme conservatism of Thai Government's fiscal policy caused by British advice and by the unstable status of Thailand's political elite; and the lack of transportation and other public utilities. The reasons stated above explicitly are either elements or results of imperfection in various markets in Thailand.

The author made a neat and interesting description of past Thai economic development using the pattern variables, while the economic pattern variables used are unusual from the view point of common use of economic terms.

At the end of his second chapter, the author proposes that agricultural technology in the fifties and the early sixties was stagnant, and he explains that fact by pointing to the constant yield per *rai* in recent years. But Muscat did not realize that since 1960 there had been a rapid increase in this yield.⁸⁾

The author devotes the largest portion of the book to analysis of recent agricultural markets and development. His presentation here can be divided into three parts:

- (1) An analysis of the economic rationality of peasants' behavior in rice and non-rice agricultural growth.
- (2) Descriptions and analyses of the imperfectly competitive actions in the agricultural markets which are deterrents to agricultural development.
- (3) A study of the important role of Thai government policy for technological improvements in agriculture.

Muscat gives very interesting and deep analyses of the peasants' economic behavior on pp. 87-93, and he concludes that "in Thai villages... the average farmer is powerfully motivated by a materialistic outlook, and that this in combination with the widely recognized atomism of Thai society suggests that the most remote subsistence-oriented farmer is potentially an economic man driven by motives akin to profit maximization." (p. 96)

As examples of government involvement in imperfectly competitive actions, Muscat discusses the Thai Rice Company, the rice export premium policy, the Public Warehouse Organization, and the provincial trading companies, most of which are anti-Chinese institutions. When discussing competition, however, the author is not able to distinguish

8) See Ministry of Agriculture, Bangkok, *Agricultural Statistics of Thailand, 1966*, Bangkok: Ministry of Agriculture, 1968, p. 47.

the conceptual difference between market structure and behavior: he raises the existence of "excess capacity" (p. 101) as an evidence of a competitive market structure. The author makes an ingenious estimate that the rice premium policy results in an extremely heavy tax on the farmers, which is equivalent in value to 1/4 of total rice production in 1960.⁹⁾

What the author intended to assert when describing all these government interventions and their failures is that some of them are strong deterrents to Thai economic growth, whereas the long-standing marketing structure dominated by Chinese is truly efficient and fair. As evidence he states that even the officials of the Public Warehouse Organization "rightly believe that the competitive system... performs well and 'fairly' [*sic*]¹⁰⁾ for all classes of participants." (p. 114) But the reviewer thinks that the author's evidence is not sufficient to induce this assertion. The failures of rather infant government intervention measures, badly financed, cannot be good evidence for the efficiency and fairness of the private market operated by Chinese.

Description and analyses of Thai industrial markets and growth in the fourth chapter cover (1) the recent government interventions in the markets, (2) the official industrial promotion policy, and (3) Chinese and Thai entrepreneurs. The author puts emphasis on dealing with the first problem. The interventions mainly take the forms of "direct government investment in, and management of new industrial enterprises," (p. 187) in the Thai industrial market. They increased rapidly supported by the prevalence of Anti-Sinicism until 1958. He calls these government interventions as "bureaucratic capitalism." (p. 197) The author states that Anti-Sinicism "has diminished in importance over time," (p. 193) but that a kind of disguised government intervention¹¹⁾ has increased in number recently. The author asserts that the government enterprises are inefficient with poor financial record and under-capacity operation because of their poor planning and "inexperienced and inefficient management." (p. 195) Realization of this problem leads to the official private investment promotion policies after 1954.

The author states that there are entrepreneurs in Thailand, and he says that Chinese entrepreneurs are "the countries' only significant minority entrepreneurial class." (p. 236) He says they are efficient and are competing fairly, but are committing most of their funds to commercial ventures because of anti-Chinese government intervention. With regard to Thai entrepreneurs, the author says that the Thais are not "in some sense temperamentally or culturally unfit for commerce and industry," (p. 243) and that they are emerging currently.¹²⁾ The author concludes that the government inter-

9) For the details of this estimation, see pp. 105-106 of the reviewed article.

10) The passage in the brackets, [], is a reviewer's note.

11) For detail see p. 199 of the reviewed article.

12) For detail see pp. 243-244 of the reviewed article.

ventions deter Thai industrial growth more than anything else.

There are two problems in the above induction. The author's analysis about the entrepreneurs is rather macro-scope, lacking micro-economic analysis of the behavior of Chinese and Thais in the non-agricultural sector. Secondly, the author does not pay enough attention to the serious difficulty of Thai-Chinese assimilation. In the longrun, this problem may be more serious than the government intervention to the industrial growth in Thailand.

IV Proposed Strategies

Depending on the description and analyses of markets and economic development in Thailand and on the basic assumptions given in the beginning of this book, Muscat proposes that "the most effective development strategy at this stage appears to be reliance on the forces of the free market." (p. 271) He asserts that "the essential factors required for effective decisions to create industrial capital are all present," (p. 271) such as entrepreneurs, capital, skilled labor, and adequate market. So he writes that "the objective of government policy should be to maximize the seizing of these opportunities and in consequence the realization of the latent potential for productive factor combination." (p. 271) Specific industrial and agricultural development policy measures proposed can be summarized as follows: (1) those trying to establish the minimum necessities of the market's infrastructure, (2) those for efficient dissemination of new technology in production and management, and (3) those for eliminating government and private market interventions described above.¹³⁾ The author proposes the following, as policy measures for Thai agricultural development in addition to those stated above: (1) "a program of gradual [rice export] premium reduction," (p. 110) (2) "and effective program of expanding institutional credit." (p. 137) Thus in Muscat's proposed strategy government takes not a direct but an auxiliary role for Thai economic development. Muscat thinks that the government should not intervene directly in Thai markets.

V General Comments

There are two problems in the method used in this work. As was stated in the second section, the basic assumptions have a logical defect. Secondly, Muscat's hypothesis testing was not very successful. As a matter of fact, he did not even mention these hypotheses after the first ten pages of the book. Anyway it seems to the present writer that he has given enough supporting evidences to support the third hypothesis, i.e., the existence of imperfect competition in the Thai markets. But he has not given enough facts to support the second hypothesis, i.e., the inadequacy of Thai market infra-

13) For a detailed description of these measures see p. 271 of the reviewed article.

structure with respect to transportation, information distribution, etc. And he has given only partial macro-scope evidences for the third hypothesis, i.e., the existence of entrepreneurship in Thailand. Thus it can be said that the logical process by which Muscat derived the above development strategies is not coherent. That is to say, these strategies do not satisfy logical sufficiency as strategies for economic development.

The proposed development strategies allot the Thai government only an auxiliary role. Learning the history of economic development of many countries, however, government has played considerable role in the development process like in Japan, the United States of America, China, the USSR etc., although it has not done so in Great Britain. The reviewer thinks that the Thai government should do and is able to do, more than what Muscat thinks it can for Thai economic development. This problem is left for further study.

The merits of this book are as follows: For the general reader this book gives a set of interesting information about Thai economic development, since the scope of the study is very wide. For the academic reader, Muscat's integrated economic, sociological, and historical approach to the development problem is very inspiring.

The other merit is that historical evidence supports the author's strategies. Since the book was published in 1966, the following historical test can be performed. While we have to take a considerable error involved in the statistics into account, GNP of Thailand has grown at the very high annual rate of 7.2% for 1961-1966, the period of the First Six-Year Plan, and it is planned to grow at 8.5% for 1967-1971 in the Second Five-Year Plan. The rates in 1966, 1967 and 1968 were 11.1%, 4.9%, and 6.0% respectively.¹⁴⁾ These growth rates can be interpreted to indicate the extremely rapid growth of Thailand's economy, and they are higher than any of the other growth rates in Southeast Asian countries. In addition, Thai government economic policy for 1961-1967 has been highly consistent with Muscat's policy suggestions in almost all respects.¹⁵⁾ Thus it is interesting to note that Muscat seems to have arrived at a correct prescription for short-run development strategy. But the particular assumptions and logics leading to his conclusions are still debatable.

14) Gaimushō Keizaikyoku (Economic Bureau, Ministry of Foreign Affairs) (ed.) *Tai (Thailand)*, Nihon Kokusaimondai Kenkyusho (Institute of International Problems in Japan), Tokyo, 1969, pp. 12-13; The National Economic Development Board, *The Second National Economic and Social Development Plan 1967-71, Annual Plan 1969*, The National Economic Development Board, Bangkok, 1969, p. 2.

15) See Gaimushō Keizaikyoku (ed.) *op. cit.*, pp. 18-19.